

HEARING EXHIBIT NO. 18

(Merits Hearing of 4/3-4/2018)

In the matter of Docket No. 2017-292-WS:
Application of Carolina Water Service, Incorporated,
for Approval of an Increase in Its Rates
for Water and Sewer Services

I hereby certify this document to be a
true copy of the original.

Jocelyn Boyd
Chief Clerk

Date 8/30/18



Carolina Water Service, Inc.
Operating Experience, Rate Base and Rate of Return
Combined Operations - Water and Sewer Service Territory 1 & 2
Docket No. 2017-292-WS
Test Year Ended August 31, 2017

Description	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Present \$	(4) Proposed Increase \$	(5) After Proposed Increase \$
Operating Revenues					
Service Revenues - Water	10,351,801	445,276 (1)	10,797,077	2,394,421 (38)	13,191,498
Service Revenues - Sewer	10,602,605	(1,660,950) (2)	8,941,655	2,292,098 (39)	11,233,753
Miscellaneous Revenues	474,882	22,313 (3)	497,195	35,576 (40)	532,771
Amortization of Excess Tax Collection	0	80,625 (A)	80,625	0	80,625
Uncollectible Accounts	(309,649)	15,394 (4)	(294,255)	(68,686) (41)	(362,941)
Total Operating Revenues	21,119,639	(1,097,342)	20,022,297	4,653,409	24,675,706
Maintenance Expenses					
Salaries and Wages	2,565,425	134,298 (5)	2,699,723	0	2,699,723
Capitalized Time	(525,777)	(15,911) (6)	(541,688)	0	(541,688)
Purchased Power	895,192	(75,032) (7)	820,160	0	820,160
Purchased Water and Sewer	3,313,014	598,804 (8)	3,911,818	0	3,911,818
Maintenance and Repair	2,232,236	(32,474) (9)	2,199,762	0	2,199,762
Maintenance Testing	265,450	(8,831) (10)	256,619	0	256,619
Meter Reading	110,205	(25) (11)	110,180	0	110,180
Chemicals	487,720	(87,780) (12)	399,940	0	399,940
Transportation	206,630	(1,065) (13)	205,565	0	205,565
Operating Exp. Charged to Plant	0	0	0	0	0
Total Maintenance Expenses	9,550,095	511,984	10,062,079	0	10,062,079
General Expenses					
Salaries and Wages	700,280	(72,820) (14)	627,460	0	627,460
Office Supplies & Other Office Exp	416,692	(112,585) (15)	304,107	0	304,107
Regulatory Commission Exp.	318,145	(229,367) (16)	88,778	0	88,778
Pension & Other Benefits	763,625	55,633 (17)	819,258	0	819,258
Rent	25,580	(178) (18)	25,402	0	25,402
Insurance	312,963	(20,955) (19)	292,008	0	292,008
Office Utilities	599,990	(59,574) (20)	540,416	0	540,416
Outside Services	281,034	(8,435) (21)	272,599	0	272,599
Non-Utility Misc Income	0	0	0	0	0
Miscellaneous	34,173	(114,681) (22)	(80,508)	0	(80,508)
Total General Expenses	3,452,482	(562,962)	2,889,520	0	2,889,520
Depreciation	1,717,514	(83,079) (23)	1,634,435	0	1,634,435
Amortization of CIAC	(416,355)	10,505 (24)	(405,850)	0	(405,850)
Taxes Other Than Income	2,925,145	102,299 (25)	3,027,444	24,392 (42)	3,051,836
Income Taxes - State	177,733	(114,588) (26)	63,145	224,605 (43)	287,750
Income Taxes - Federal	1,074,691	(822,743) (27)	251,948	896,173 (44)	1,148,121
Amortization of Excess ADIT Liability	0	(136,924) (B)	(136,924)	0	(136,924)
Sale of Utility Property	(29,323)	29,323 (28)	0	0	0
Amort. Investment Tax Credit	(8,853)	0	(8,853)	0	(8,853)
Amortization of PAA	(17,129)	1,756 (29)	(15,373)	0	(15,373)
Total Other Expenses	5,423,423	(1,013,451)	4,409,972	1,145,170	5,555,142
Total Operating Expenses	18,426,000	(1,064,429)	17,361,571	1,145,170	18,506,741
Net Operating Income	2,693,639	(32,913)	2,660,726	3,508,239	6,168,965
Customer Growth	0	26,068 (30)	26,068	38,215 (45)	64,283
Interest During Construction	(89,608)	89,608 (31)	0	0	0
Net Income (Loss) For Return	2,783,247	(96,453)	2,686,794	3,546,454	6,233,248
Original Cost Rate Base:					
Gross Plant In Service	101,446,033	(6,274,846) (32)	95,171,187	0	95,171,187
Accumulated Depreciation	(15,938,540)	2,949,621 (33)	(12,988,919)	0	(12,988,919)
Net Plant In Service	85,507,493	(3,325,225)	82,182,268	0	82,182,268
Deferred Charges	0	0	0	0	0
Cash Working Capital	1,625,322	(6,372) (34)	1,618,950	0	1,618,950
Contributions In Aid of Construction	(21,662,799)	732,675 (35)	(20,930,124)	0	(20,930,124)
Accumulated Deferred Income Taxes (ADIT)	(7,539,471)	3,229,909 (C)	(4,309,562)	0	(4,309,562)
Excess ADIT Liability - Protected	0	(2,925,519) (D)	(2,925,519)	0	(2,925,519)
Excess ADIT Liability - Unprotected	0	(167,466) (E)	(167,466)	0	(167,466)
Excess Tax Collection Liability	0	(161,250) (F)	(161,250)	0	(161,250)
Customer Deposits	(336,522)	-	(336,522)	0	(336,522)
Advances in Aid of Construction	0	0	0	0	0
Plant Acquisition Adjustment	(892,626)	32,541 (36)	(860,085)	0	(860,085)
Total Rate Base	56,701,397	(2,590,707)	54,110,690	0	54,110,690
Return on Rate Base	4.91%		4.97%		11.52%
Operating Margin	4.88%		4.86%		18.32%
Interest Expense	1,752,211	(39,290) (37)	1,712,921	0	1,712,921

Carolina Water Service, Inc.
Operating Experience, Rate Base and Rate of Return
Water Service Territory 1
Docket No. 2017-292-WS
Test Year Ended August 31, 2017

<u>Description</u>	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Present \$	(4) Proposed Increase \$	(5) After Proposed Increase \$
<u>Operating Revenues</u>					
Service Revenues - Water	5,452,075	346,907 (1)	5,798,982	1,376,052 (38)	7,175,034
Miscellaneous Revenues	77,994	38,775 (3)	116,769	5,679 (40)	122,448
Amortization of Excess Tax Collection	0	10,836 (A)	10,836	0	10,836
Uncollectible Accounts	(74,834)	(4,612) (4)	(79,446)	(18,852) (41)	(98,298)
Total Operating Revenues	5,455,235	391,906	5,847,141	1,362,879	7,210,020
<u>Maintenance Expenses</u>					
Salaries and Wages	734,418	147,974 (5)	882,392	0	882,392
Capitalized Time	(152,357)	(22,727) (6)	(175,084)	0	(175,084)
Purchased Power	98,484	0 (7)	98,484	0	98,484
Purchased Water and Sewer	1,584,518	507,467 (8)	2,091,985	0	2,091,985
Maintenance and Repair	238,310	157,941 (9)	396,251	0	396,251
Maintenance Testing	47,105	0 (10)	47,105	0	47,105
Meter Reading	27,157	0 (11)	27,157	0	27,157
Chemicals	171,165	0 (12)	171,165	0	171,165
Transportation	65,923	(338) (13)	65,585	0	65,585
Operating Exp. Charged to Plant	0	0	0	0	0
Total Maintenance Expenses	2,814,723	790,317	3,605,040	0	3,605,040
Salaries and Wages	223,895	(3,616) (14)	220,279	0	220,279
Office Supplies & Other Office Exp	140,296	(1) (15)	140,295	0	140,295
Regulatory Commission Exp.	89,055	(61,357) (16)	27,698	0	27,698
Pension & Other Benefits	244,150	21,219 (17)	265,369	0	265,369
Rent	882	0 (18)	882	0	882
Insurance	100,059	0 (19)	100,059	0	100,059
Office Utilities	171,113	0 (20)	171,113	0	171,113
Outside Services	93,301	0 (21)	93,301	0	93,301
Non-Utility Misc Income	0	0	0	0	0
Miscellaneous	10,937	(35,694) (22)	(24,757)	0	(24,757)
Total General Expenses	1,073,688	(79,449)	994,239	0	994,239
Depreciation	408,320	3,174 (23)	411,494	0	411,494
Amortization of CIAC	(153,614)	(11,458) (24)	(165,072)	0	(165,072)
Taxes Other Than Income	941,798	(386,651) (25)	555,147	7,144 (42)	562,291
Income Taxes - State	57,365	(45,961) (26)	11,404	65,961 (43)	77,365
Income Taxes - Federal	352,610	(307,107) (27)	45,503	263,182 (44)	308,685
Amortization of Excess ADIT Liability	0	(36,529) (B)	(36,529)	0	(36,529)
Sale of Utility Property	(9,565)	9,565 (28)	0	0	0
Amort. Investment Tax Credit	(3,746)	0	(3,746)	0	(3,746)
Amortization of PAA	(13,504)	341 (29)	(13,163)	0	(13,163)
Total Other Expenses	1,579,664	(774,626)	805,038	336,287	1,141,325
Total Operating Expenses	5,468,075	(63,758)	5,404,317	336,287	5,740,604
Net Operating Income	(12,840)	455,664	442,824	1,026,592	1,469,416
Customer Growth	0	6,936 (30)	6,936	16,078 (45)	23,014
Interest During Construction	(37,304)	37,304 (31)	0	0	0
Net Income (Loss) For Return	24,464	425,296	449,760	1,042,670	1,492,430
<u>Original Cost Rate Base:</u>					
Gross Plant In Service	23,487,720	457,867 (32)	23,945,587	0	23,945,587
Accumulated Depreciation	(4,854,113)	672,263 (33)	(4,181,850)	0	(4,181,850)
Net Plant In Service	18,633,607	1,130,130	19,763,737	0	19,763,737
Deferred Charges	0	0	0	0	0
Cash Working Capital	486,051	88,859 (34)	574,910	0	574,910
Contributions In Aid of Construction	(8,705,515)	(293,006) (35)	(8,998,521)	0	(8,998,521)
Accumulated Deferred Income Taxes	(2,037,503)	924,175 (C)	(1,113,328)	0	(1,113,328)
Excess ADIT Liability - Protected	0	(845,326) (D)	(845,326)	0	(845,326)
Excess ADIT Liability - Unprotected	0	(42,320) (E)	(42,320)	0	(42,320)
Excess Tax Collection Liability	0	(21,672) (F)	(21,672)	0	(21,672)
Customer Deposits	(96,794)	0	(96,794)	0	(96,794)
Advances in Aid of Construction	0	0	0	0	0
Plant Acquisition Adjustment	(639,510)	0 (36)	(639,510)	0	(639,510)
Total Rate Base	7,640,336	940,840	8,581,176	0	8,581,176
Return on Rate Base	0.32%		5.24%		17.39%
Operating Margin	-8.44%		3.05%		16.93%
Interest Expense	484,978	(213,333) (37)	271,645	0	271,645

Carolina Water Service, Inc.
Operating Experience, Rate Base and Rate of Return
Water Service Territory 2
Docket No. 2017-292-WS
Test Year Ended August 31, 2017

<u>Description</u>	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Present \$	(4) Proposed Increase \$	(5) After Proposed Increase \$
<u>Operating Revenues</u>					
Service Revenues - Water	4,899,726	98,369 (1)	4,998,095	1,018,369 (38)	6,016,464
Miscellaneous Revenues	87,878	29,988 (3)	117,866	8,203 (40)	126,069
Amortization of Excess Tax Collection	0	26,875 (A)	26,875	0	26,875
Uncollectible Accounts	(97,600)	(1,862) (4)	(99,462)	(20,266) (41)	(119,728)
Total Operating Revenues	4,890,004	153,370	5,043,374	1,006,306	6,049,680
<u>Maintenance Expenses</u>					
Salaries and Wages	605,795	98,618 (5)	704,413	0	704,413
Capitalized Time	(121,565)	(15,005) (6)	(136,570)	0	(136,570)
Purchased Power	174,030	0 (7)	174,030	0	174,030
Purchased Water and Sewer	698,309	91,377 (8)	789,686	0	789,686
Maintenance and Repair	393,248	41,193 (9)	434,441	0	434,441
Maintenance Testing	91,976	0 (10)	91,976	0	91,976
Meter Reading	44,640	0 (11)	44,640	0	44,640
Chemicals	45,389	0 (12)	45,389	0	45,389
Transportation	43,956	(218) (13)	43,738	0	43,738
Operating Exp. Charged to Plant	0	0	-	0	-
Total Maintenance Expenses	1,975,778	215,965	2,191,743	0	2,191,743
Salaries and Wages	147,808	(5,357) (14)	142,451	0	142,451
Office Supplies & Other Office Exp	72,002	(4,004) (15)	67,998	0	67,998
Regulatory Commission Exp.	61,841	(41,702) (16)	20,139	0	20,139
Pension & Other Benefits	161,182	45,872 (17)	207,054	0	207,054
Rent	22,222	0 (18)	22,222	0	22,222
Insurance	66,064	0 (19)	66,064	0	66,064
Office Utilities	172,712	0 (20)	172,712	0	172,712
Outside Services	51,922	0 (21)	51,922	0	51,922
Non-Utility Misc Income	0	0	-	0	-
Miscellaneous	7,191	(24,950) (22)	(17,759)	0	(17,759)
Total General Expenses	762,944	(30,141)	732,803	0	732,803
Depreciation	381,084	22,272 (23)	403,356	0	403,356
Amortization of CIAC	(6,917)	95 (24)	(6,822)	0	(6,822)
Taxes Other Than Income	595,630	303,207 (25)	898,837	5,275 (42)	904,112
Income Taxes - State	48,377	(31,131) (26)	17,246	48,083 (43)	65,329
Income Taxes - Federal	285,967	(217,157) (27)	68,810	191,854 (44)	260,664
Amortization of Excess ADIT Liability	0	(39,360) (B)	(39,360)	0	(39,360)
Sale of Utility Property	(5,714)	5,714 (28)	0	0	0
Amort. Investment Tax Credit	0	0	0	0	0
Amortization of PAA	1,564	0 (29)	1,564	0	1,564
Total Other Expenses	1,299,991	43,640	1,343,631	245,212	1,588,843
Total Operating Expenses	4,038,713	229,464	4,268,177	245,212	4,513,389
Net Operating Income	851,291	(76,094)	775,197	761,094	1,536,291
Customer Growth	0	3,229 (30)	3,229	3,171 (45)	6,400
Interest During Construction	(1,227)	1,227 (31)	0	0	0
Net Income (Loss) For Return	852,518	(74,092)	778,426	764,265	1,542,691
<u>Original Cost Rate Base:</u>					
Gross Plant In Service	21,172,722	345,700 (32)	21,518,422	0	21,518,422
Accumulated Depreciation	(2,943,316)	(35,802) (33)	(2,979,118)	0	(2,979,118)
Net Plant In Service	18,229,406	309,898	18,539,304	0	18,539,304
Deferred Charges	0	0	0	0	0
Cash Working Capital	342,340	23,228 (34)	365,568	0	365,568
Contributions In Aid of Construction	(340,937)	(1,566) (35)	(342,503)	0	(342,503)
Accumulated Deferred Income Taxes	(2,015,134)	761,699 (C)	(1,253,435)	0	(1,253,435)
Excess ADIT Liability - Protected	0	(667,907) (D)	(667,907)	0	(667,907)
Excess ADIT Liability - Unprotected	0	(54,432) (E)	(54,432)	0	(54,432)
Excess Tax Collection Liability	0	(53,750) (F)	(53,750)	0	(53,750)
Customer Deposits	(90,218)	0	(90,218)	0	(90,218)
Advances in Aid of Construction	0	0	0	0	0
Plant Acquisition Adjustment	(131,612)	0 (36)	(131,612)	0	(131,612)
Total Rate Base	15,993,845	317,170	16,311,015	0	16,311,015
Return on Rate Base	5.33%		4.77%		9.46%
Operating Margin	6.95%		5.20%		16.97%
Interest Expense	512,661	3,678 (37)	516,339	0	516,339

Carolina Water Service, Inc.
Operating Experience, Rate Base and Rate of Return
Sewer Service Territory 1 and 2
Docket No. 2017-292-WS
Test Year Ended August 31, 2017

Description	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Present \$	(4) Proposed Increase \$	(5) After Proposed Increase \$
<u>Operating Revenues</u>					
Service Revenues - Sewer	10,602,605	(1,660,950) (2)	8,941,655	2,292,098 (39)	11,233,753
Miscellaneous Revenues	309,010	(46,450) (3)	262,560	21,694 (40)	284,254
Amortization of Excess Tax Collection	0	42,914 (A)	42,914	0	42,914
Uncollectible Accounts	(137,215)	21,868 (4)	(115,347)	(29,568) (41)	(144,915)
Total Operating Revenues	10,774,400	(1,642,618)	9,131,782	2,284,224	11,416,006
<u>Maintenance Expenses</u>					
Salaries and Wages	1,225,212	(112,294) (5)	1,112,918	0	1,112,918
Capitalized Time	(251,855)	21,821 (6)	(230,034)	0	(230,034)
Purchased Power	622,678	(75,032) (7)	547,646	0	547,646
Purchased Water and Sewer	1,030,187	(40) (8)	1,030,147	0	1,030,147
Maintenance and Repair	1,600,678	(231,608) (9)	1,369,070	0	1,369,070
Maintenance Testing	126,369	(8,831) (10)	117,538	0	117,538
Meter Reading	38,408	(25) (11)	38,383	0	38,383
Chemicals	271,166	(87,780) (12)	183,386	0	183,386
Transportation	96,751	(509) (13)	96,242	0	96,242
Operating Exp. Charged to Plant	0	0	0	0	-
Total Maintenance Expenses	4,759,594	(494,298)	4,265,296	0	4,265,296
Salaries and Wages	328,577	(63,847) (14)	264,730	0	264,730
Office Supplies & Other Office Exp	204,394	(108,580) (15)	95,814	0	95,814
Regulatory Commission Exp.	167,249	(126,308) (16)	40,941	0	40,941
Pension & Other Benefits	358,293	(11,458) (17)	346,835	0	346,835
Rent	2,476	(178) (18)	2,298	0	2,298
Insurance	146,840	(20,955) (19)	125,885	0	125,885
Office Utilities	256,165	(59,574) (20)	196,591	0	196,591
Outside Services	135,811	(8,435) (21)	127,376	0	127,376
Non-Utility Misc Income	0	0	-	0	-
Miscellaneous	16,045	(54,037) (22)	(37,992)	0	(37,992)
Total General Expenses	1,615,850	(453,372)	1,162,478	0	1,162,478
Depreciation	928,110	(108,525) (23)	819,585	0	819,585
Amortization of CIAC	(255,824)	21,868 (24)	(233,956)	0	(233,956)
Taxes Other Than Income	1,387,717	185,743 (25)	1,573,460	11,973 (42)	1,585,433
Income Taxes - State	71,991	(37,496) (26)	34,495	110,561 (43)	145,056
Income Taxes - Federal	436,114	(298,479) (27)	137,635	441,137 (44)	578,772
Amortization of Excess ADIT Liability	0	(61,035) (B)	(61,035)	0	(61,035)
Sale of Utility Property	(14,044)	14,044 (28)	0	0	0
Amort. Investment Tax Credit	(5,107)	0	(5,107)	0	(5,107)
Amortization of PAA	(5,189)	1,415 (29)	(3,774)	0	(3,774)
Total Other Expenses	2,543,768	(282,465)	2,261,303	563,671	2,824,974
Total Operating Expenses	8,919,212	(1,230,135)	7,689,077	563,671	8,252,748
Net Operating Income	1,855,188	(412,483)	1,442,705	1,720,553	3,163,258
Customer Growth	0	15,903 (30)	15,903	18,966 (45)	34,869
Interest During Construction	(51,077)	51,077 (31)	0	0	0
Net Income (Loss) For Return	1,906,265	(447,657)	1,458,608	1,739,519	3,198,127
<u>Original Cost Rate Base:</u>					
Gross Plant In Service	56,785,591	(7,078,413) (32)	49,707,178	0	49,707,178
Accumulated Depreciation	(8,141,111)	2,313,160 (33)	(5,827,951)	0	(5,827,951)
Net Plant In Service	48,644,480	(4,765,253)	43,879,227	0	43,879,227
Deferred Charges	0	0	0	0	0
Cash Working Capital	796,931	(118,459) (34)	678,472	0	678,472
Contributions In Aid of Construction	(12,616,347)	1,027,247 (35)	(11,589,100)	0	(11,589,100)
Accumulated Deferred Income Taxes	(3,486,834)	1,544,035 (C)	(1,942,799)	0	(1,942,799)
Excess ADIT Liability - Protected	0	(1,412,286) (D)	(1,412,286)	0	(1,412,286)
Excess ADIT Liability - Unprotected	0	(70,714) (E)	(70,714)	0	(70,714)
Excess Tax Collection Liability	0	(85,828) (F)	(85,828)	0	(85,828)
Customer Deposits	(149,510)	0	(149,510)	0	(149,510)
Advances in Aid of Construction	0	0	0	0	0
Plant Acquisition Adjustment	(121,504)	32,541 (36)	(88,963)	0	(88,963)
Total Rate Base	33,067,216	(3,848,717)	29,218,499	0	29,218,499
Return on Rate Base	5.76%		4.99%		10.95%
Operating Margin	10.69%		5.84%		19.91%
Interest Expense	754,572	170,365 (37)	924,937	0	924,937

Carolina Water Service, Inc.
Explanation of Accounting and Pro Forma Adjustments
Docket No. 2017-292-WS
For the Test Year Ended August 31, 2017

Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
<u>Accounting and Pro Forma Adjustments</u>				
<u>Operating Revenues</u>				
(1) Service Revenues - Water				
To adjust water service revenues to reflect test year customer billings.				
Per ORS	445,276	346,907	98,369	0
Per CWS	173,476	149,827	23,649	0
(2) Service Revenues - Sewer				
To adjust sewer service revenues to reflect test year customer billings.				
Per ORS	(1,660,950)	0	0	(1,660,950)
Per CWS	(1,692,502)	0	0	(1,692,502)
(3) Miscellaneous Revenues				
To adjust miscellaneous revenues for the test year.				
Per ORS	22,313	38,775	29,988	(46,450)
Per CWS	(17,433)	0	0	(17,433)
(A) Amortization of Excess Tax Collection				
To adjust revenue for the amortization of the excess tax collection liability created as a result of the Tax Cut and Jobs Act.				
Per ORS	80,625	10,836	26,875	42,914
Per CWS	0	0	0	0
(4) Uncollectible Accounts				
To adjust uncollectible accounts to reflect accounting and pro forma adjustments to service revenues.				
Per ORS	15,394	(4,612)	(1,862)	21,868
Per CWS	15,498	(2,078)	(466)	18,042
<u>Maintenance Expenses</u>				
(5) Salaries & Wages				
To annualize operators' salaries for the test year and account for the removal of the I-20 sewer system.				
Per ORS	134,298	147,974	98,618	(112,294)
Per CWS	67,880	68,588	51,935	(52,643)

Carolina Water Service, Inc.
Explanation of Accounting and Pro Forma Adjustments
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For the Test Year Ended August 31, 2017

<u>Description</u>	<u>\$ Combined Operations</u>	<u>\$ Water Terr. 1 Operations</u>	<u>\$ Water Terr. 2 Operations</u>	<u>\$ Sewer Operations</u>
(6) Capitalized Time				
To adjust capitalized time based on pro-forma salaries and account for the removal of the I-20 sewer system.				
Per ORS	<u>(15,911)</u>	<u>(22,727)</u>	<u>(15,005)</u>	<u>21,821</u>
Per CWS	<u>(4,788)</u>	<u>(9,560)</u>	<u>(7,077)</u>	<u>11,849</u>
(7) Purchased Power				
To adjust purchased power for removal of I-20 facility.				
Per ORS	<u>(75,032)</u>	<u>0</u>	<u>0</u>	<u>(75,032)</u>
Per CWS	<u>(75,032)</u>	<u>0</u>	<u>0</u>	<u>(75,032)</u>
(8) Purchased Water and Sewer				
To adjust purchased water & sewer expense to reflect a going forward expense level.				
Per ORS	<u>598,804</u>	<u>507,467</u>	<u>91,377</u>	<u>(40)</u>
Per CWS	<u>587,002</u>	<u>484,280</u>	<u>102,762</u>	<u>(40)</u>
(9) Maintenance and Repair				
(9a) To increase maintenance and repair for deferred maintenance.				
Per ORS	(13)	4,696	3,404	(8,113)
Per CWS	8,100	4,696	3,404	0
(9b) To remove expenses associated with I-20 facility.				
Per ORS	(116,131)	0	0	(116,131)
Per CWS	(116,131)	0	0	(116,131)
(9c) To increase maintenance and repair for deferred purchased water expenses.				
Per ORS	191,034	153,245	37,789	0
Per CWS	230,386	186,306	44,080	0
(9d) To decrease maintenance and repair to normalize abnormal sludge hauling expense due to consent orders with DHEC.				
Per ORS	(96,892)	0	0	(96,892)
Per CWS	0	0	0	0

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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(9e) To decrease maintenance and repair for reclassifying certain expenses to rate base.				
Per ORS	(10,472)	0	0	(10,472)
Per CWS	0	0	0	0
(9) Total Maintenance and Repair Per ORS	<u>(32,474)</u>	<u>157,941</u>	<u>41,193</u>	<u>(231,608)</u>
Total Maintenance and Repair Per CWS	<u>122,355</u>	<u>191,002</u>	<u>47,484</u>	<u>(116,131)</u>
(10) Maintenance Testing				
To remove expenses associated with I-20 facility.				
Per ORS	<u>(8,831)</u>	<u>0</u>	<u>0</u>	<u>(8,831)</u>
Per CWS	<u>(8,831)</u>	<u>0</u>	<u>0</u>	<u>(8,831)</u>
(11) Meter Reading				
To remove expenses associated with I-20 facility.				
Per ORS	<u>(25)</u>	<u>0</u>	<u>0</u>	<u>(25)</u>
Per CWS	<u>(25)</u>	<u>0</u>	<u>0</u>	<u>(25)</u>
(12) Chemicals				
To remove expenses associated with I-20 facility.				
Per ORS	<u>(87,780)</u>	<u>0</u>	<u>0</u>	<u>(87,780)</u>
Per CWS	<u>(87,780)</u>	<u>0</u>	<u>0</u>	<u>(87,780)</u>
(13) Transportation				
(13a) To remove expenses associated with I-20 facility.				
Per ORS	(26)	0	0	(26)
Per CWS	(26)	0	0	(26)
(13b) To remove expenses associated with sale of utility property.				
Per ORS	(1,039)	(338)	(218)	(483)
Per CWS	0	0	0	0
(13) Total Transportation Per ORS	<u>(1,065)</u>	<u>(338)</u>	<u>(218)</u>	<u>(509)</u>
Total Transportation Per CWS	<u>(26)</u>	<u>0</u>	<u>0</u>	<u>(26)</u>

Carolina Water Service, Inc.
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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
<u>General Expenses</u>				
(14) Salaries & Wages				
To annualize office salaries for the test year.				
Per ORS	<u>(72,820)</u>	<u>(3,616)</u>	<u>(5,357)</u>	<u>(63,847)</u>
Per CWS	<u>(34,819)</u>	<u>(7,503)</u>	<u>(7,871)</u>	<u>(19,445)</u>
(15) Office Supplies & Other Office Expense				
(15a) To remove nonrecoverable items.				
Per ORS	(95,241)	(1)	(4,004)	(91,236)
Per CWS	(95,241)	(1)	(4,004)	(91,236)
(15b) To remove expenses associated with I-20 facility.				
Per ORS	(17,344)	0	0	(17,344)
Per CWS	<u>(17,344)</u>	<u>0</u>	<u>0</u>	<u>(17,344)</u>
(15) Total Office Supplies & Other Office Expense Per ORS	<u>(112,585)</u>	<u>(1)</u>	<u>(4,004)</u>	<u>(108,580)</u>
Total Office Supplies & Other Office Expense Per CWS	<u>(112,585)</u>	<u>(1)</u>	<u>(4,004)</u>	<u>(108,580)</u>
(16) Regulatory Commission Expense				
To amortize current and unamortized prior rate case expenses over a three-year period.				
Per ORS	<u>(229,367)</u>	<u>(61,357)</u>	<u>(41,702)</u>	<u>(126,308)</u>
Per CWS	<u>(133,357)</u>	<u>(31,154)</u>	<u>(33,388)</u>	<u>(68,815)</u>
(17) Pension & Other Benefits				
To annualize pension and other benefits associated with pro-forma salaries.				
Per ORS	<u>55,633</u>	<u>21,219</u>	<u>45,872</u>	<u>(11,458)</u>
Per CWS	<u>81,636</u>	<u>22,950</u>	<u>50,302</u>	<u>8,384</u>
(18) Rent				
To remove expenses associated with I-20 facility.				
Per ORS	<u>(178)</u>	<u>0</u>	<u>0</u>	<u>(178)</u>
Per CWS	<u>(178)</u>	<u>0</u>	<u>0</u>	<u>(178)</u>
(19) Insurance				
To remove expenses associated with I-20 facility.				
Per ORS	<u>(20,955)</u>	<u>0</u>	<u>0</u>	<u>(20,955)</u>
Per CWS	<u>(20,955)</u>	<u>0</u>	<u>0</u>	<u>(20,955)</u>

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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(20) Office Utilities				
To remove expenses associated with I-20 facility.				
Per ORS	(59,574)	0	0	(59,574)
Per CWS	(59,574)	0	0	(59,574)
(21) Outside Services				
To remove expenses associated with I-20 facility.				
Per ORS	(8,435)	0	0	(8,435)
Per CWS	(8,435)	0	0	(8,435)
(22) Miscellaneous				
(22a) To remove expenses associated with I-20 facility.				
Per ORS	(844)	0	0	(844)
Per CWS	(844)	0	0	(844)
(22b) To remove additional non-allowable expenses identified by ORS.				
Per ORS	(113,837)	(35,694)	(24,950)	(53,193)
Per CWS	0	0	0	0
(22) Total Miscellaneous Per ORS	(114,681)	(35,694)	(24,950)	(54,037)
Total Miscellaneous Per CWS	(844)	0	0	(844)
(23) Depreciation Expense				
To annualize depreciation expense for known and measurable plant in service including extraordinary retirements. See Audit Exhibit ZJP-6.				
Per ORS	(83,079)	3,174	22,272	(108,525)
Per CWS	(73,958)	18,316	(18,873)	(73,401)
(24) Amortization of Contributions in Aid of Construction (CIAC)				
To annualize the amortization of CIAC expense. See Audit Exhibit ZJP-6.				
Per ORS	10,505	(11,458)	95	21,868
Per CWS	14,935	(12,020)	86	26,869
(25) Taxes Other Than Income				
(25a) To adjust payroll taxes associated with adjusted salaries.				
Per ORS	28,888	10,117	16,723	2,048
Per CWS	32,858	5,106	13,879	13,873

Carolina Water Service, Inc.
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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(25b) To adjust gross receipts and utility/commission taxes after the accounting and pro forma adjustments using a factor of .00524169.				
Per ORS	24,210	7,823	5,897	10,490
Per CWS	(8,198)	809	128	(9,135)
(25c) To adjust for pro-forma property taxes.				
Per ORS	286,173	(404,591)	280,587	410,177
Per CWS	25,627	64,475	32,709	(71,557)
(25d) To remove other taxes associated with I-20 facility.				
Per ORS	(236,972)	0	0	(236,972)
Per CWS	0	0	0	0
(25) Total Taxes Other Than Income Per ORS	102,299	(386,651)	303,207	185,743
Total Taxes Other Than Income Per CWS	50,287	70,390	46,716	(66,819)
(26) Income Taxes - State				
To adjust state income taxes after accounting and pro forma adjustments. See Audit Exhibit ZJP-7.				
Per ORS	(114,588)	(45,961)	(31,131)	(37,496)
Per CWS	(160,063)	(84,035)	(25,332)	(50,696)
(27) Income Taxes - Federal				
To adjust federal income taxes after accounting and pro forma adjustments. See Audit Exhibit ZJP-7.				
Per ORS	(822,743)	(307,107)	(217,157)	(298,479)
Per CWS	(957,190)	(529,970)	(132,717)	(294,503)
(B) Amortization of Excess ADIT Liability				
To adjust for the amortization of the excess ADIT liability.				
Per ORS	(136,924)	(36,529)	(39,360)	(61,035)
Per CWS	0	0	0	0
(28) Sale of Utility Property				
To reflect the removal of sale of utility property for ratemaking purposes.				
Per ORS	29,323	9,565	5,714	14,044
Per CWS	29,323	9,565	5,714	14,044

Carolina Water Service, Inc.
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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(29) Amortization of Plant Acquisition Adjustment ("PAA")				
To adjust the amortization of the PAA.				
Per ORS	1,756	341	0	1,415
Per CWS	341	341	0	0
(30) Customer Growth				
To adjust for customer growth after the accounting and pro forma adjustments. The growth factors of 1.5662% for water territory 1, 0.4166% for water territory 2, and 1.1023% for sewer were computed by the Utility Rates Department.				
Per ORS	26,068	6,936	3,229	15,903
Per CWS	0	0	0	0
(31) Interest During Construction ("IDC")				
To eliminate IDC for rate making purposes.				
Per ORS	89,608	37,304	1,227	51,077
Per CWS	89,608	37,304	1,227	51,077
(32) Gross Plant in Service				
(32a) To adjust plant in service for changes in allocations and service lives of vehicles and computers.				
Per ORS	(84,429)	86,378	111,346	(282,153)
Per CWS	0	(24,798)	45,267	(20,469)
(32b) To adjust for excess book value per prior Commission orders.				
Per ORS	(1,937,905)	(930,194)	0	(1,007,711)
Per CWS	(493,722)	(208,836)	0	(284,886)
(32c) To adjust for pro-forma general ledger additions, pro-forma plant, and pro-forma retirements.				
Per ORS	2,922,554	1,301,683	234,354	1,386,517
Per CWS	2,742,356	965,253	229,046	1,548,057
(32d) To adjust for the removal of DHEC consent order consulting.				
Per ORS	(306,552)	0	0	(306,552)
Per CWS	0	0	0	0

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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(32e) To adjust gross plant in service for removal of I-20 facility.				
Per ORS	(6,868,514)	0	0	(6,868,514)
Per CWS	(6,868,514)	0	0	(6,868,514)
(32) Total Gross Plant in Service Per ORS	(6,274,846)	457,867	345,700	(7,078,413)
Total Gross Plant in Service Per CWS	(4,619,880)	731,619	274,313	(5,625,812)
(33) Accumulated Depreciation				
(33a) To adjust accumulated depreciation for current depreciation, vehicles, computers, and prior rate case adjustments.				
Per ORS	453,963	(8,158)	(35,802)	497,923
Per CWS	245,171	135,339	(99,028)	208,860
(33b) To adjust accumulated depreciation for excess book value.				
Per ORS	1,417,544	680,421	0	737,123
Per CWS	0	0	0	0
(33c) To adjust accumulated depreciation for removal of I-20 facility.				
Per ORS	1,078,114	0	0	1,078,114
Per CWS	1,078,114	0	0	1,078,114
(33) Total Accumulated Depreciation Per ORS	2,949,621	672,263	(35,802)	2,313,160
Total Accumulated Depreciation Per CWS	1,323,285	135,339	(99,028)	1,286,974
(34) Cash Working Capital				
To adjust cash working capital after accounting and pro forma adjustments. See Audit Exhibit ZJP-8.				
Per ORS	(6,372)	88,859	23,228	(118,459)
Per CWS	38,664	89,825	25,018	(76,179)
(35) Contributions in Aid of Construction ("CIAC")				
To adjust CIAC to reflect the amortization of CIAC expense, pro-forma CIAC additions, and the removal of I-20 CIAC. See Audit Exhibit ZJP-6.				
Per ORS	732,675	(293,006)	(1,566)	1,027,247
Per CWS	1,377,162	5,128	30	1,372,004
(C) Accumulated Deferred Income Tax ("ADIT")				
To adjust ADIT for the creation of an excess ADIT liability resulting from lower federal tax rates.				
Per ORS	3,229,909	924,175	761,699	1,544,035
Per CWS	0	0	0	0

Carolina Water Service, Inc.
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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(D) Excess ADIT Liability - Protected				
To adjust rate base for the creation of an excess ADIT liability for protected assets resulting from lower federal tax rates.				
Per ORS	(2,925,519)	(845,326)	(667,907)	(1,412,286)
Per CWS	0	0	0	0
(E) Excess ADIT Liability - Unprotected				
To adjust rate base for the creation of an excess ADIT liability for unprotected assets resulting from lower federal tax rates.				
Per ORS	(167,466)	(42,320)	(54,432)	(70,714)
Per CWS	0	0	0	0
(F) Excess Tax Collection Liability				
To adjust rate base for the creation of an excess tax collection liability resulting from lower federal tax rates.				
Per ORS	(161,250)	(21,672)	(53,750)	(85,828)
Per CWS	0	0	0	0
(36) Plant Acquisition Adjustment ("PAA")				
To adjust the PAA to reflect the removal of the I-20 facility.				
Per ORS	32,541	0	0	32,541
Per CWS	32,541	0	0	32,541
(37) Interest Expense				
To adjust interest on debt using a 48.11% and 51.89% debt to equity ratio and 6.58% cost of debt. ORS computed allowable interest expense after accounting and pro forma adjustments. See Audit Exhibit ZJP-9.				
Per ORS	(39,290)	(213,333)	3,678	170,365
Per CWS	(10,737)	(211,875)	1,471	199,667
<u>Proposed Increase</u>				
(38) Service Revenues - Water				
To adjust water service revenues for ORS's recalculation of the Company's proposed rate increase.				
Per ORS	2,394,421	1,376,052	1,018,369	0
Per CWS	2,312,034	1,317,240	994,794	0

Carolina Water Service, Inc.
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(39) Service Revenues - Sewer				
To adjust sewer service revenues for ORS's recalculation of the Company's proposed rate increase.				
Per ORS	2,292,098	0	0	2,292,098
Per CWS	2,284,616	0	0	2,284,616
(40) Miscellaneous Revenues				
To adjust miscellaneous revenues for ORS's recalculation of the Company's proposed rate increase.				
Per ORS	35,576	5,679	8,203	21,694
Per CWS	0	0	0	0
(41) Uncollectible Accounts				
To adjust for uncollectible accounts associated with the Company's proposed rate increase.				
Per ORS	(68,686)	(18,852)	(20,266)	(29,568)
Per CWS	(85,236)	(17,693)	(21,426)	(46,117)
(42) Taxes Other Than Income				
To adjust gross receipts and utility/commission taxes associated with the Company's proposed increase using a factor of .00524169.				
Per ORS	24,392	7,144	5,275	11,973
Per CWS	24,810	7,110	5,369	12,331
(43) Income Taxes -State				
To adjust state income taxes associated with the Company's proposed increase. See Audit Exhibit ZJP-7.				
Per ORS	224,605	65,961	48,083	110,561
Per CWS	224,330	64,622	48,400	111,308

Carolina Water Service, Inc.
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(44) Income Taxes - Federal				
To adjust federal income taxes associated with the Company's proposed increase. See Audit Exhibit ZJP-7.				
Per ORS	896,173	263,182	191,854	441,137
Per CWS	1,491,795	429,735	321,859	740,201
(45) Customer Growth				
To adjust for customer growth after proposed increase. The growth factors of 1.5662% for water territory 1, 0.4166% for water territory 2, and 1.1023% for sewer were computed by the Utility Rates Department.				
Per ORS	38,215	16,078	3,171	18,966
Per CWS	0	0	0	0

Carolina Water Service, Inc.
Depreciation and Amortization Expense Adjustments
Docket No. 2017-292-WS
For the Test Year Ended August 31, 2017

	Combined Operations \$	Water Terr. 1 Operations \$	Water Terr. 2 Operations \$	Sewer Operations \$
Depreciation Expense				
Gross Plant @ 8-31-17	101,446,033	23,487,720	21,172,723	56,785,590
Add:				
ORS Net Plant Additions Adjustment	(6,274,846)	457,867	345,700	(7,078,413)
Less:				
Organization @ 8/31/17	334,859	84,616	213,814	36,429
Land @ 8/31/17	702,610	325,067	271,444	106,099
Engineering Expenses over 10 years (Ends 2026)	28,264	0	0	28,264
Vehicles @ 2/12/18 (ORS Adjusted Per Books)	1,782,232	577,034	446,046	759,152
Computers @ 2/12/18 (ORS Adjusted Per Books)	3,474,416	1,219,711	788,782	1,465,923
Net Plant @ 2/12/18	88,848,806	21,739,159	19,798,337	47,311,310
Plant Depreciation @ 1.5% (66.67 years)	1,332,732	326,087	296,975	709,670
Vehicles @ 2/12/18	1,782,232	577,034	446,046	759,152
Less: Fully Depreciated Vehicles	1,019,584	336,746	256,508	426,330
Net Vehicles @ 2/12/18	762,648	240,288	189,538	332,822
Vehicle Depreciation @ 20.00% (5 years)	152,530	48,058	37,908	66,564
Computers @ 2/12/18	3,474,416	1,219,711	788,782	1,465,923
Less: Fully Depreciated Computers	2,706,042	949,970	614,342	1,141,730
Net Computers @ 2/12/18	768,374	269,741	174,440	324,193
Computer Depreciation @ 12.5% (8 years)	96,048	33,718	21,805	40,525
Indian Pines Extraordinary Retirement (Ends 2029)	54,441	54,441	0	0
Indian Pines Depr. @ 6.67% (15 years)	3,631	3,631	0	0
Purdy Shores & Foxwood Retirement (Ends 2024)	466,682	0	466,682	0
PS & Foxwood @ 10% (10 years)	46,668	0	46,668	0
Engineering Expenses over 10 Years (Ends 2026)	28,264	0	0	28,264
Engineering Expense Depr. @ 10.00% (10 years)	2,826	0	0	2,826
ORS Total Depreciation	1,634,435	411,494	403,356	819,585
Less: Per Books Depreciation	1,717,514	408,320	381,084	928,110
ORS Depreciation Adjustment # 23	(83,079)	3,174	22,272	(108,525)
Company's Adjustment	(73,959)	18,316	(18,873)	(73,402)

Carolina Water Service, Inc.
Depreciation and Amortization Expense Adjustments
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For the Test Year Ended August 31, 2017

	Combined Operations \$	Water Terr. 1 Operations \$	Water Terr. 2 Operations \$	Sewer Operations \$
<u>Amortization of CIAC Adjustment</u>				
Gross CIAC @ 8/31/17	(28,342,338)	(10,700,360)	(453,420)	(17,188,558)
Remove I-20 WWTP Gross CIAC	1,913,189	0	0	1,913,189
Pro Forma CIAC Additions (as of 2/12/18)	(627,585)	(304,465)	(1,470)	(321,650)
ORS Adjusted Gross CIAC	<u>(27,056,734)</u>	<u>(11,004,825)</u>	<u>(454,890)</u>	<u>(15,597,019)</u>
Accumulated Amortization of CIAC @ 8/31/17	6,679,540	1,994,846	112,482	4,572,212
Remove I-20 WWTP CIAC Accumulated Amortization	(542,425)	0	0	(542,425)
ORS Amortization Adjustment #24	(10,505)	11,458	(95)	(21,868)
ORS Adjusted CIAC Accumulated Amortization	<u>6,126,610</u>	<u>2,006,304</u>	<u>112,387</u>	<u>4,007,919</u>
ORS Adjusted Net CIAC	<u>(20,930,124)</u>	<u>(8,998,521)</u>	<u>(342,503)</u>	<u>(11,589,100)</u>
Less: Per books CIAC	<u>(21,662,799)</u>	<u>(8,705,515)</u>	<u>(340,937)</u>	<u>(12,616,347)</u>
ORS Net CIAC Adjustment # 35	<u>732,675</u>	<u>(293,006)</u>	<u>(1,566)</u>	<u>1,027,247</u>
CIAC Amortization @ 1.5% (66.67 years)	(405,851)	(165,072)	(6,823)	(233,956)
Less: Per Books Amortization of CIAC	<u>(416,356)</u>	<u>(153,614)</u>	<u>(6,918)</u>	<u>(255,824)</u>
ORS CIAC Amortization Adjustment # 24	<u>10,505</u>	<u>(11,458)</u>	<u>95</u>	<u>21,868</u>
Company's Adjustment	<u>14,935</u>	<u>(12,020)</u>	<u>86</u>	<u>26,869</u>
<u>Amortization of PAA Adjustment</u>				
Gross PAA @ 2/12/18	(1,024,823)	(877,546)	104,292	(251,569)
PAA Amortization @ 1.5% (66.67 years)	(15,373)	(13,163)	1,564	(3,774)
Less: Per Books Amortization of PAA	<u>(17,129)</u>	<u>(13,504)</u>	<u>1,564</u>	<u>(5,189)</u>
ORS Amortization of PAA Adjustment #29	<u>1,756</u>	<u>341</u>	<u>0</u>	<u>1,415</u>

Revised Audit Surrebuttal Exhibit ZJP-7

Carolina Water Service, Inc.
 Computation of Income Taxes
 Docket No. 2017-292-WS
 For the Test Year Ended August 31, 2017

After Accounting & Pro Forma Adjustments				
	\$ Combined Operations	Water Terr. 1 Operations	Water Terr. 2 Operations	\$ Sewer Operations
Operating Revenues	20,022,297	5,847,141	5,043,374	9,131,782
Less: Operating Expenses	17,046,478	5,347,410	4,182,121	7,516,947
Net Operating Income Before Taxes	2,975,819	499,731	861,253	1,614,835
Less: Annualized Interest Expense	1,712,921	271,645	516,339	924,937
Taxable Income - State	1,262,898	228,086	344,914	689,898
State Income Tax %	5.0%	5.0%	5.0%	5.0%
State Income Taxes	63,145	11,404	17,246	34,495
Less: State Income Taxes Per Book	177,733	57,365	48,377	71,991
ORS State Income Tax Adjustment #23	(114,588)	(45,961)	(31,131)	(37,496)
Taxable Income - Federal	1,199,753	216,682	327,668	655,403
Federal Income Taxes %	21.0%	21.0%	21.0%	21.0%
Federal Income Taxes	251,948	45,503	68,810	137,635
Less: Federal Income Taxes Per Book	1,074,691	352,610	285,967	436,114
ORS Federal Income Tax Adjustment #24	(822,743)	(307,107)	(217,157)	(298,479)
After Applicant's Proposed Increase				
	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
Operating Revenues	24,675,706	7,210,020	6,049,680	11,416,006
Less: Operating Expenses	17,207,794	5,391,083	4,226,756	7,589,955
Net Operating Income Before Taxes	7,467,912	1,818,937	1,822,924	3,826,051
Less: Annualized Interest Expense	1,712,921	271,645	516,339	924,937
Taxable Income - State	5,754,991	1,547,292	1,306,585	2,901,114
State Income Tax %	5.0%	5.0%	5.0%	5.0%
State Income Taxes	287,750	77,365	65,329	145,056
Less: State Income Taxes As Adjusted	63,145	11,404	17,246	34,495
ORS State Income Tax Adjustment #43	224,605	65,961	48,083	110,561
Taxable Income - Federal	5,467,241	1,469,927	1,241,256	2,756,058
Federal Income Taxes %	21.0%	21.0%	21.0%	21.0%
Federal Income Taxes	1,148,121	308,685	260,664	578,772
Less: Federal Income Taxes As Adjusted	251,948	45,503	68,810	137,635
ORS Federal Income Tax Adjustment #44	896,173	263,182	191,854	441,137

Revised Audit Surrebuttal Exhibit ZJP-8

Carolina Water Service, Inc.
Cash Working Capital Allowance
Docket No. 2017-292-WS
For the Test Year Ended August 31, 2017

After Accounting & Pro Forma Adjustments				
	\$	\$	\$	\$
Description	Combined Operations	Water Terr. 1 Operations	Water Terr. 2 Operations	Sewer Operations
Maintenance Expenses	10,062,079	3,605,040	2,191,743	4,265,296
General Expenses	2,889,520	994,239	732,803	1,162,478
Total Expenses for Computation	12,951,599	4,599,279	2,924,546	5,427,774
Allowable Rate	12.50%	12.50%	12.50%	12.50%
Computed Cash Working Capital	1,618,950	574,910	365,568	678,472
Less: Cash Working Capital - Application Per Books	1,625,322	486,051	342,340	796,931
ORS Cash Working Capital Adjustment #34	(6,372)	88,859	23,228	(118,459)
Company's Cash Working Capital Adjustment	38,664	89,825	25,018	(76,179)

Carolina Water Service, Inc.
Return on Equity
Docket No. 2017-292-WS
Capital Structure at August 31, 2017

Revised Audit Surrebuttal Exhibit ZJP-9

Combined Operations

Description	(Note) Capital Structure	Ratio	Application Per Books (Note 1)			Income For Return	After Accounting and Pro forma Adjustments			Income For Return	After Applicant's Proposed Increase			Income For Return
			Rate Base	Embedded Cost/Return	Overall Cost/Return		Rate Base	Embedded Cost/Return	Overall Cost/Return		Rate Base	Embedded Cost/Return	Overall Cost/Return	
Long-Term Debt	\$ 221,748,924	48.11%	\$ 27,278,598	6.58%	3.17%	\$ 1,794,932	\$ 26,032,229	6.58%	3.17%	\$ 1,712,921	\$ 26,032,229	6.58%	3.17%	\$ 1,712,921
Common Equity	239,179,224	51.89%	29,422,799	3.36%	1.74%	988,315	28,078,461	3.47%	1.80%	973,873	28,078,461	16.10%	8.35%	4,520,327
Totals	\$ 460,928,148	100.00%	\$ 56,701,397		4.91%	\$ 2,783,247	\$ 54,110,690		4.97%	\$ 2,686,794	\$ 54,110,690		11.52%	\$ 6,233,248

Water Terr. 1 Operations

Description	Capital Structure	Ratio	Application Per Books (Note 1)			Income For Return	After Accounting and Pro forma Adjustments			Income For Return	After Applicant's Proposed Increase			Income For Return
			Rate Base	Embedded Cost/Return	Overall Cost/Return		Rate Base	Embedded Cost/Return	Overall Cost/Return		Rate Base	Embedded Cost/Return	Overall Cost/Return	
Long-Term Debt	\$ 221,748,924	48.11%	\$ 3,675,706	6.58%	3.17%	\$ 241,861	\$ 4,128,337	6.58%	3.17%	\$ 271,645	\$ 4,128,337	6.58%	3.17%	\$ 271,645
Common Equity	239,179,224	51.89%	3,964,630	-5.48%	-2.84%	(217,397)	4,452,839	4.00%	2.08%	178,115	4,452,839	27.42%	14.23%	1,220,785
Totals	\$ 460,928,148	100.00%	\$ 7,640,336		0.33%	\$ 24,464	\$ 8,581,176		5.25%	\$ 449,760	\$ 8,581,176		17.40%	\$ 1,492,430

Water Terr. 2 Operations

Description	Capital Structure	Ratio	Application Per Books (Note 1)			Income For Return	After Accounting and Pro forma Adjustments			Income For Return	After Applicant's Proposed Increase			Income For Return
			Rate Base	Embedded Cost/Return	Overall Cost/Return		Rate Base	Embedded Cost/Return	Overall Cost/Return		Rate Base	Embedded Cost/Return	Overall Cost/Return	
Long-Term Debt	\$ 221,748,924	48.11%	\$ 7,694,514	6.58%	3.17%	\$ 506,299	\$ 7,847,102	6.58%	3.17%	\$ 516,339	\$ 7,847,102	6.58%	3.17%	\$ 516,339
Common Equity	239,179,224	51.89%	8,299,331	4.17%	2.16%	346,219	8,463,913	3.10%	1.61%	262,087	8,463,913	12.13%	6.29%	1,026,352
Totals	\$ 460,928,148	100.00%	\$ 15,993,845		5.33%	\$ 852,518	\$ 16,311,015		4.78%	\$ 778,426	\$ 16,311,015		9.46%	\$ 1,542,691

Sewer Operations

Description	Capital Structure	Ratio	Application Per Books (Note 1)			Income For Return	After Accounting and Pro forma Adjustments			Income For Return	After Applicant's Proposed Increase			Income For Return
			Rate Base	Embedded Cost/Return	Overall Cost/Return		Rate Base	Embedded Cost/Return	Overall Cost/Return		Rate Base	Embedded Cost/Return	Overall Cost/Return	
Long-Term Debt	\$ 221,748,924	48.11%	\$ 15,908,379	6.58%	3.17%	\$ 1,046,771	\$ 14,056,791	6.58%	3.17%	\$ 924,937	\$ 14,056,791	6.58%	3.17%	\$ 924,937
Common Equity	239,179,224	51.89%	17,158,837	5.01%	2.60%	859,494	15,161,708	3.52%	1.83%	533,671	15,161,708	14.99%	7.78%	2,273,190
Totals	\$ 460,928,148	100.00%	\$ 33,067,216		5.77%	\$ 1,906,265	\$ 29,218,499		5.00%	\$ 1,458,608	\$ 29,218,499		10.95%	\$ 3,198,127

Note 1: The interest expense calculations reflect ORS's capital structure ratios and cost of debt applied to the Company's per book numbers.